

BIENNIAL BUDGETING AS A MODEL FOR DEFICIT REDUCTION IN THE
FEDERAL BUDGET PROCESS

by
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ABSTRACT

The sustained trajectory of annual federal deficits risks tangible, negative consequences for lawmakers and taxpayers alike. Projected to reach \$900 billion in FY19, the budgetary deficit will hit \$1 trillion by 2022, and amount to \$11.6 trillion over the next decade. By 2023, interest payments on the debt will eclipse the entire yearly appropriation for the Department of Defense. Through their treatment of pay-as-you-go rules, the budget reconciliation provisions, emergency spending authorizations, and the disregard for discretionary spending caps, Congress has proved to be a guilty partner in aiding and abetting America's untenable fiscal outlook. Since the enactment of the watershed Budget Control and Impoundment Act of 1974, executive and legislative branch actors alike have repeatedly proposed a biennial system of federal budgeting with split years of authorization and appropriation aimed at curtailing abused processes and functioning as a framework through which deficits can be diminished. This paper seeks to trace the legislative and structural history of deficit controls since 1974 before ultimately analyzing the benefits and detriments biennial budgeting would present to the federal budget process on policy and political grounds.

ACKNOWLEDGEMENTS

In gratitude that “this Jack, joke, poor potsherd, patch, matchwood,
immortal diamond, Is immortal diamond” – Gerard Manley Hopkins

To my family, friends, and fiancé who have kept me sane in this pursuit

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MEMORANDUM

To: Speaker Nancy Pelosi

From: Daniel Koscinski

Subject: Biennial Budgeting as a Reform for Looming Fiscal Unsustainability

Action-Forcing Event

In November of 2018, the Joint Select Committee on Budget and Appropriations (JSCBAPR) dissolved¹ without achieving its established goal of advancing recommendations and proposed legislative language to “significantly reform the budget and appropriations process.”² Less than two months after the dissolution of this body, the government suffered the longest shutdown in U.S. history, as the lack of spending authority for seven appropriation bills stretched on for thirty-five days, directly affecting 800,000 federal workers and resulting in a \$3 billion permanent reduction in real GDP and a \$2 billion loss of tax revenue.³ Without substantial and meaningful reform of budgeting rules and regulations, repeated disruptions in federal operations will continue to occur, thereby eroding public confidence in the government’s ability to conduct its affairs, and setting the nation on an unsustainable fiscal path.

¹ Erica Werner, "Congress's Special Committee to Fix the Broken Budget Process has Broken Down," *Washington Post.com*. Nov 30, 2018. https://www.washingtonpost.com/business/economy/congresss-special-committee-to-fix-the-broken-budget-process-has-broken-down/2018/11/29/51768f50-f424-11e8-aeaa-b85fd44449f5_story.html.

² Committee on the Budget House of Representatives, *Legislative History of the Joint Select Committee on Budget and Appropriations Reform* (Washington, DC: US Government Publishing Office, [2018]).

³ Jennifer Scholtes and Caitlin Emma, "Shutdown Cost the U.S. \$3 Billion that Won'T be Recovered, CBO Says," *Politico*. Jan 28, 2019. <https://www.politico.com/story/2019/01/28/government-shutdown-cost-1123735>.

Statement of Problem

Any elementary analysis of America's current fiscal state reveals ominous signs of danger, from rising deficits and increasing interest costs to the dysfunction of the federal budget process, the annual mechanism designed to establish spending priorities and appropriate funds from the treasury. In the following pages, it will be my aim to assess the critical budgetary challenges, both substantive and procedural in nature, facing today's government leaders, and to ultimately illustrate how these issues threaten America's long-term fiscal governance.

In the post-9/11 era, the level of national debt has garnered considerable attention from interest groups, governmental actors, and citizens alike. In particular, analysts have highlighted the shift from budget surpluses in the waning years of the Clinton administration, to significant hikes in budget deficits during the Bush and Obama administrations. Whereas the federal debt totaled \$5.67 trillion at the close of FY 2001, it had swelled to over \$21.52 trillion by the beginning of FY 2019.⁴ Federal receipts exceeded outlays in only one year during this period (FY 2001), and deficits averaged -4.1% of gross domestic product, peaking at -9.77% during the midst of the Great Recession.⁵ Federal deficits are most often categorized into cyclical and structural balances. Cyclical debt is the result of economic performance, where receipts are lower and unemployment spending increases in a contracting economy. Alternatively, structural debts are unrelated to economic performance, and will not be recovered in

⁴ "Historical Debt Outstanding." https://www.treasurydirect.gov/govt/reports/pd/histdebt/histdebt_histo5.htm (accessed February 7, 2018).

⁵ Federal Reserve Bank of St. Louis, "Federal Surplus Or Deficit [-] as Percent of Gross Domestic Product," <https://fred.stlouisfed.org/series/FYFSGDA188S>

periods of GDP growth. These deficits are most likely the result of long-term trends and current laws, such as an aging population with consistent occurrences of corporate and personal tax avoidance.⁶

Furthermore, according to the most recent Congressional Budget Office (CBO) 10-year forecast published in January, annual deficits are projected to continue to rise (Figure 1). After totaling almost \$900 billion in FY19, the annual budgetary deficit will hit \$1 trillion by 2022, and amount to \$11.6 trillion over the next decade. Interest costs on this debt will reach \$383 billion this fiscal year, and will represent the third largest “program,” as defined by the Government Accountability Office (GAO), within the federal budget by FY2025.⁷ Additionally, during the same 10-year period, the deficit is estimated to average 4.4% of GDP, a significant increase over the past 50 years, when deficits averaged 2.9% of GDP.⁸ The cumulative national debt held by the public at this point will constitute 93% of GDP, more than double the 50-year running average.⁹ In summation, the structural disparities between federal receipts and outlays will only worsen in the next decade, as mandatory spending for healthcare costs and an aging population accelerate debt levels overtake economic production.

Such an alarming fiscal trajectory will result in tangible, negative outcomes for lawmakers and taxpayers alike. First, as interest rates continue a slow increase toward levels before the Great Recession, federal budgeting will necessitate larger interest

⁶ Patrick Kelly and Cassandra Rohland, "The United States Federal Budget Project," *Journal of Accounting Education* 41 (2017), 48. doi:10.1016/j.jaccedu.2017.09.002.
<http://search.ebscohost.com/login.aspx?direct=true&db=bsu&AN=126165117&site=ehost-live&scope=site>.

⁷ *The Budget and Economic Outlook: 2019-2029* (Washington, DC: Congressional Budget Office, [2019]).

⁸ Ibid., “Visual Summary.”

⁹ Ibid.

payments, reducing national savings and capital at a faster rate.¹⁰ According to the Congressional Budget Office, “interest payments will overtake Medicaid in 2020 and the Department of Defense budget in 2023.”¹¹ Second, policymakers will have less flexibility to direct spending policies toward emergencies or unexcepted priorities, such as disaster relief or military expenditures. Lastly, the likelihood of a fiscal crisis will only increase, as the government will be more beholden to investors’ demands to finance continued borrowing with significantly higher interest returns. If this occurs, we risk devaluing the dollar as the world’s premiere currency, losing such benefits as cheaper imports and travel abroad. Interest rates would rise abruptly and sharply, negating budgets and requiring congressional action.

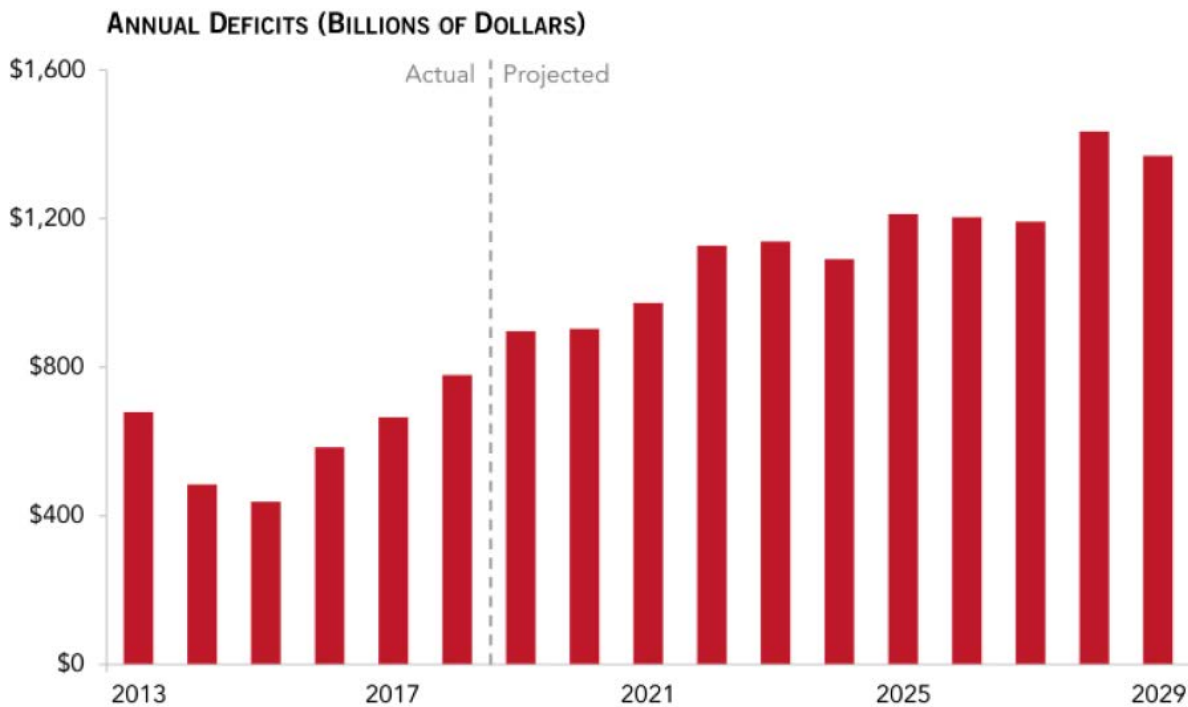


Figure 1. Projected Annual Deficits

Source: Congressional Budget Office, *The Budget and Economic Outlook:2019 to 2029*

¹⁰ Ibid., pg. 15. The CBO also stated, “Productivity and total wages would be lower than would be the case if the debt was smaller.”

¹¹ Nelson D. Schwartz, "As Debt Rises, the Government Will Soon Spend More on Interest than on the Military," New York Times Company, <https://search.proquest.com/docview/2111854314>

The procedural budgetary elements are equally grim and untenable. FY2019 marks the 45th anniversary of the 1974 Congressional Budget and Impoundment Control Act, the law which established the modern federal budget process and reset the fiscal year to run from October through September. However, instead of adhering to these budgetary deadlines, Congress has repeatedly dismissed them, choosing to utilize budget proposals as a vehicle for political bickering and a host for partisan disagreements. This dysfunction has led to 1996 being the last year that Congress has passed all of the necessary appropriation bills before October 1st. In addition, Congress has only completed budget resolutions, a concurrent blueprint designed to establish targets for budget authority and outlays, in ten of the past twenty years.¹² These repeated budget impasses have led to three government shutdowns in the past 14 months, including the longest in federal history, which stretched for thirty-five days (December 22 – January 25, 2019) and affected 800,000 federal workers across nine federal departments and numerous independent agencies.¹³

The underlying structural assumptions behind the CBO's daunting budget projections are grounded in two programmatic areas, social security and health care-related expenses. Whereas the twelve budgetary appropriation bills, otherwise referred to as "discretionary spending," account for roughly 30% of all spending in each year,

¹² Molly E. Reynolds, "What's Wrong with the Congressional Budget Process?" <https://www.brookings.edu/blog/unpacked/2017/11/03/whats-wrong-with-the-congressional-budget-process/>

¹³ Jennifer Scholtes and Caitlin Emma, "Shutdown Cost the U.S. \$3 Billion that Won'T be Recovered, CBO Says," *Politico*. Jan 28, 2019. <https://www.politico.com/story/2019/01/28/government-shutdown-cost-1123735>.

“mandatory spending” is projected to constitute 63%¹⁴ of all federal spending in FY19.¹⁵

Social security alone is the largest, single federal budget item, with the FY19 budget estimating that it will cost \$1.05 trillion, almost 40% of all mandatory spending.¹⁶

Additionally, costs for social security and related health-care programs such as Medicare and Medicaid are only expected to grow, accounting for nearly 60% of total federal spending and 12.8% GDP by 2029.¹⁷ These costs, as a result of aging Baby boomers drawing down on benefits and technological breakthroughs allowing for sophisticated treatment of diseases, are simply rising faster than GDP and tax revenue.¹⁸ With the population declining after Baby boomers and generation X-ers, the growth of labor slowed, setting social security and Medicaid on tracks for insolvency. Attempting to reform these programmatic areas is usually regarded as political suicide, since it guarantees electorate opposition by forcing groups to accept fewer benefits.

Perhaps of most import, the risks and sources of ballooning deficits also manifest themselves structurally in particular budgetary processes. Specifically, Congress’ treatment of pay-as-you-go rules, the budget reconciliation system, emergency spending authorizations, and the disregard for discretionary spending caps are all items which I intend to examine in detail. Each of these budgetary features were designed in part to provide governmental actors some amount of flexibility, albeit without jeopardizing fiscal integrity. However, in the time since the institution of the Congressional Budget

¹⁴ Drew Desilver, "Congress has Long Struggled to Pass Spending Bills on Time," <http://www.pewresearch.org/fact-tank/2018/01/16/congress-has-long-struggled-to-pass-spending-bills-on-time/>

¹⁵ The other 7% or so of spending represents interest payments on federal debt

¹⁶ Desilver, “Congress has long struggled.”

¹⁷ Congressional Budget Office, The Budget and Economic Outlook: 2019-2029. January 28, 2019. <https://www.cbo.gov/publication/54918>

¹⁸ Ibid. Between the 50-year period from 1962 to 2012, tax revenue varied between 17% and 19% of GDP in all but 12 years.

Act, each process has suffered abuse at the hands of its legislative makers, resulting in a continued trek toward fiscal insolvency, larger interest payments, and the dissolution of rules designed to keep outlays in pace with revenue.

In summation, the problems currently plaguing the federal budget are both substantive and structural in nature. Even under current conditions, trillion-dollar deficits will become common place, and interest payments on the debt will not only represent a larger share of total economic output, but also risk crisis and downgraded credit ratings. In addition, the budgetary process as outlined in the 1974 law has become largely nonexistent, as lawmakers instead commonly choose to weaponize the process as a forum for political haranguing and accept government shutdowns as a result. As illustration of this, the statutory functions in place to limit deficits such as PAYGO and spending caps are consistently skirted through reconciliation, emergency authorizations, gimmick provisions, and amendments that terminate near-term savings. If lawmakers continue to ignore budget procedures and accept their tax and spending priorities without offsets on such items as mandatory spending, the U.S. will only further itself down an unsustainable fiscal and budgetary path that holds deleterious consequences for both future standards of living and socioeconomic cohesion.

History/Background

1974 Budget Control Act

The 1974 Congressional Budget and Impoundment Control Act (CBA) stands as a watershed development in the history of the federal budget process and in appropriation law. The general procedures Congress utilizes today to exercise its power of the purse largely rely on the institutional framework and offices which emerged from CBA's reforms. The CBA evolved from President Nixon's refusal to obligate nearly \$12 billion dollars of congressionally-appropriated funds from 1972-1973. The Nixon administration argued that although the Constitution bars an Executive from spending funds absent a Congressional appropriation, Congress lacked formal, systematic processes for assessing total spending compared to total revenue.¹⁹ Without such the procedures, the President needed the power to "impound" funds for lower priority items to prevent inordinate spending and deficit hikes. Congress found this argument substantive and understood that they could not check the President's impoundment abilities without a solidified appropriation process that made clear the explicit mandate for the executive branch to obligate and expend funds, regardless of perspective or utility.²⁰ Outside of impoundment-related issues, the CBA's specific institutional reforms to fortify Congress' budget development have had lasting significance. The three most important of these changes were: the formation of House and Senate Budget Committees, the establishment of the Congressional Budget Office (CBO), and the reorganization of the fiscal year to run from October 1st through September 30th. The

¹⁹ "Tax Policy Center Briefing Book: What is the History of the Federal Budget Process?" https://www.taxpolicycenter.org/sites/default/files/briefing-book/bb_full_2018_1.pdf (accessed March 1, 2019).

²⁰ Ibid.

respective committees were charged with the central task of passing a concurrent budget resolution, an annual consideration which does not hold the power of law and thus is not subject to Senate filibuster, but instead sets targets for aggregate authority and outlays per discretionary functions such as education, defense, and transportation. This resolution serves individual committees with effective spending ceilings²¹ as they deliberate over appropriations and tax measures and is to be passed by both houses of Congress no later than April 15th. This type of budget blueprint also acts as a policy response to the President's budget submitted in the beginning of February. To aid Congress in their formation of the resolution, the CBA created the CBO, an independent, non-partisan office under the auspices of the legislative branch which would provide analysis of economic data, proposed legislation, and annual five-year projections of expenditures, revenues, and deficit figures. The CBO would work under the assumption that absent explicit, legislative changes, existing levels of government spending would continue. The CBO would ideally be detached from party influences and able to provide forecasts and cost estimates that form the basis for the annual resolution.

For mandatory spending and entitlement programs, the CBA provided a different method for budgetary allocations. The committees whose jurisdiction oversees such entitlement programs as Medicare and Social Security are granted allocations relative to a baseline figure of probable costs. The CBO scores these baselines from a series of complicated analyses involving statutory language, historical trends, demographic shifts, and other circumstances. These baseline figures, along with revenue estimates from the

²¹ The resolution also notes the maximum amount of discretionary budget authority called a "302(a) allocation."

Joint Committee on Taxation, are critical to the budget resolution.²² If the authorizing committees involved with mandatory spending have allocations from the budget committees equal to the baseline, as is frequently the case, they can comply with the budget by taking no action. While the budget resolution can establish hard caps on appropriated accounts for the Department of Education or the National Institutes of Health, an enforceable budget for entitlement spending is comparatively more fleeting since its grounded in estimates and projections. If increased spending is required due to greater enrollment or higher average cost of benefit per enrollee, no mechanisms exist to compel remedial action. Instead, the funds will simply be outlaid from the main treasury accounts and the government will borrow to cover the difference. In effect, the budget process and the budget resolution encourage mandatory spending to rise organically as more benefits are required by more people, without any action from congressional actors.

The CBA of 1974 also introduced a new legislative process called reconciliation, a forceful mechanism that allows for expedited consideration on certain legislation involving debt limit hikes, spending, and revenues.²³ While a whole host of detailed procedural rules governs the particulars of the process in each chamber, the basic structure of reconciliation requires an agreed upon budget resolution that includes accompanying ‘reconciliation instructions’ to individual committees. These committees are directed to mark up additional authorizing legislation that harmonizes the programs under their preview with the allocations afforded to them under the resolution. For the period of time the legislation covers, typically one fiscal year, the committees can reach

²² James C. Capretta, "Reforming the Budget Process," *National Affairs* 21 (2014), 64-80.
<http://search.ebscohost.com/login.aspx?direct=true&db=asn&AN=98535616&site=ehost-live&scope=site>.

²³ David Reich and Richard Kogan, *Introduction to Budget "Reconciliation"* Center on Budget and Policy Priorities,[2016]).

these targets by either increasing or decreasing spending, revenue, or raising the debt ceiling. If multiple committees receive reconciliation instructions, the Budget Committees gather the new legislation into omnibus bills for the entire chamber. In the Senate, the reconciliation bills can be adopted with only a simple majority, and debate is limited to 20 hours. Any offered amendments are subject to the Byrd Rule, which bans provisions which are tangential or unrelated to the fundamental budgetary issues and programs at hand.²⁴ Since the enactment of the CBA, reconciliation has been critical to the passage of welfare reform in 1996, tax cuts in 2003 and 2017, and healthcare reform under the Affordable Care Act in 2010.²⁵

The CBA's legacy is largely marked by mixed results and varying degrees of effectiveness. On one hand, the reforms enacted in 1974 provided Congress with the necessary legislative armament to carry out its appropriative responsibilities and backed the new procedures with nonpartisan information and analysis. The budget resolution, as designed in theory, would impose new controls on entitlement legislation and borrowing authority. The move of the fiscal year from July to October gives newly elected members of Congress additional time to participate in the budget process. However, the 45 years of actualized implementation reveals consistent failure to enforce budget deadlines, a growing complexity in budget presentations, and an unwillingness to confront the ballooning costs of entitlements. From 1974 to 2014, Congress passed budget resolutions by the mid-April deadline only six times, last occurring in 2003.²⁶ As I pointed to earlier, ten of the past twenty years have contained no budget resolution at

²⁴ Ibid.

²⁵ "Q&A: Congressional Budget and Impoundment Control Act of 1974." <https://www.pgpf.org/analysis/q-and-a-congressional-budget-and-impoundment-control-act-of-1974> (accessed February 25, 2019).

²⁶ Ibid.

all.²⁷ In terms of deficit control, 1950-1974 saw federal deficits averaging 0.7% of GDP. Conversely, from the adoption of the CBA in 1975 to the beginning of the Great Recession in 2007, deficits averaged around 2.5% of GDP. On a micro level, inflation-adjusted U.S. federal debt totaled \$3,240 per person in 1974. As of 2014, that same adjusted measure had risen to \$16,527.²⁸ Procedurally, the CBA's initial conception of reconciliation has been warped into oft-abused means of partisan governance. Originally designed as a means to adjust spending and tax bills already adopted within a given year and within a politically divided Congress, reconciliation has become a routine fast-track for sweeping legislative, particularly with bills aimed at lowering revenues and reducing taxes. This method has been especially attractive when one party is in majority control of both chambers and the White House, allowing them to skirt the three-fifths requirement in the Senate. This has led to a sort of budgetary vicious cycle where gridlock supports the viability of reconciliation as a legislative option, enacted reconciliation in turn impairs the trust necessary toward bipartisan governance, and the lack of bipartisan legislation engenders more stoppage and continues the cycle.

1983 Social Security Amendments

One of the more consequential attempts to reform the swelling costs of mandatory spending came outside of the machinations of the regular budget process. In 1983, nearly fifty years after the adoption of the Social Security Act by President Roosevelt, Congress reached an agreement with the Reagan administration to enact a series of legislature measures to alleviate the inherent fiscal imbalance within the program. The urgent need for reform was evident, as the Social Security's Old Age and Survivors Insurance (OASI)

²⁷ Reynolds, "What's wrong with the congressional budget process?"

²⁸ "Q&A: Congressional budget and impoundment control act of 1974."

had been depleted to less than one-third of its peak value, and without legislative action, it would not have been possible to continue paying cash benefits on time beginning in July of 1983.²⁹ The agreed upon \$168 billion package of reforms represented a sort of ‘Holy Grail’ of legislating, as it was the last time both parties consented to a mix of benefit cuts and tax increases with respect to Social Security.³⁰ Among other conditions, the Amendments raised the age at which beneficiaries could obtain full benefits without penalties, authorized increases in payroll taxes, and instituted additional taxes of benefits for higher-income beneficiaries. However, the two-year bump in the full retirement age from 65 to 67 was deferred to start in 2000 and phased in gradually after that, with the full implementation not occurring until 2027, more than 40 years after the Amendments were passed.³¹ At the time of the reforms, the trustee board projected that the fund wouldn’t be insolvent until the 2050s, but they have since revised their estimate to an expected exhaust date of 2033.³² The normal budget process as organized under the CBA was of no significance to these reforms, even though the long-term benefits are noteworthy.

1985 Balanced Budget and Deficit Control Act

The 1985 Balanced Budget and Emergency Deficit Control Act, better known as “Gramm-Rudman-Hollings,” (GRH) sought to introduce statutory deficit limits and statutory procedures to enforce the proposed caps. In return for raising the debt ceiling over \$2 billion, the GRH provided for annual reductions in the total budget deficit from

²⁹ John A. Svahn and Mary Ross, "Social Security Amendments of 1983: Legislative History and Summary of Provisions," *Social Security Bulletin* 46, no. 7 (July 1983), 3-48.

<https://www.ncbi.nlm.nih.gov/pubmed/6356414>.

³⁰ Ibid.

³¹ Capretta, “Reforming the budget process.”

³² Kathy Ruffing, "Social Security: It's Not 1983," ACI Information Group, <https://www.cbpp.org/blog/social-security-its-not-1983>

\$172 billion in FY 1986 to zero in FY 1991.³³ The law did not stipulate what policies and programs should be modified to achieve this gradual elimination, leaving it to Congressional and Presidential purview to negotiate specifics. If decreasing deficit targets were not met in a given year, per the reporting of the Comptroller General, the act required the President to invoke a “process for the cancelation of spending by executive order,”³⁴ otherwise known as sequester. The mandatory cuts would be split evenly between domestic discretionary spending and the defense budget. Social Security, Medicare, interest on the debt, and several health-related programs were exempt from any potential sequester. Procedurally, the GRH revisited two aspects of the budget resolution as outlined in the CBA. First, although a budget resolution in a given year can function as an effective cap on allocations for new spending, the GRH deficit limits applied to already enacted spending and tax laws. Second, certain simple-majority points of order on the House and Senate floor to protect the levels in the budget resolution were replaced with three-fifths threshold and the sequestration order at the instruction of the Comptroller General.

Ultimately, the sequestration process as outlined in the GRH was invalidated as Unconstitutional by the Supreme Court in *Bowsher v. Synar*, 1986.³⁵ The ruling proffered that the Comptroller General, an officer of the legislative branch, could not compel executive action without violating separation of powers.

³³ . *Explanation of the Balanced Budget and Emergency Deficit Control Act of 1985*, [1985]).

³⁴ Megan Suzanne Lynch, *Statutory Budget Controls in Effect between 1985 and 2002* Federation of American Scientists, [2011]).

³⁵ Ibid.

1990 Budget Enforcement Act

Congress attempted to address the constitutionality of GRH with the 1987 Reaffirmation Act (GRH-II), which extended the deficit limits through FY 1993 and shifted sequestration responsibilities to the Executive Branch within the Office of Management and Budget. However, by 1990, it was evident that issues with the deficit targets still endured, and without action the total federal deficit would exceed GRH's limits by nearly \$100 billion.³⁶ OMB estimated that a sequester of \$85 billion would be required to alleviate the shortfall, including a 30% reduction to both defense and non-defense discretionary programs. This bleak outlook spurred Congressional negotiators to reach an agreement with the H.W. Bush administration on the Budget Enforcement Act of 1990 (BEA).³⁷ The BEA fundamentally revised the processes as enacted in GHR and GHR-II, opting to preserve the deficit reduction realized in the accompanying 1990 reconciliation bill through controls on new legislation, instead of enforcement based on the effects of previously enacted spending and tax laws. Overall, the BEA established three mechanisms to achieve its ends: caps on discretionary spending in annual appropriations, adjustable deficit targets which accounted for revised economic data, and pay-as-you-go (PAYGO) rules which ordered that any new direct spending or decreased revenues be offset by other legislation that rendered the exchange deficit-neutral or deficit-reducing. PAYGO was monitored on an annual basis via a scorecard and included carry over amounts into subsequent sessions if any budgetary effects were realized too late. Violations of either the discretionary spending caps or the PAYGO requirements

³⁶ Lynch, *Statutory Budget Controls in Effect between 1985 and 2002* Federation of American Scientists, [2011]).

³⁷ "Slaying the Dragon of Debt: 1990 Budget Enforcement Act." <http://bancroft.berkeley.edu/ROHO/projects/debt/budgetenforcementact.html>

were to result in sequestration at the directive of OMB. Overall, budget analysts generally regard the BEA and its accompanying PAYGO statutes as having worked extremely well through the late 1990s, playing a key role in achieving the budget surpluses that existed from FY1998 – FY2001. Preceding these surpluses, the deficit shrank from -4.7% of GDP in 1992 to a near balance in 1997. Economist Robert Reischauer, the director of the CBO in 1990, later deemed the BEA “the foundation upon which the surpluses of the 1998 to 2001 period were built.”³⁸

1997 Balanced Budget Act

The Balanced Budget Act of 1997 marked the end of tight controls on spending caps and the expiration of statutory PAYGO rules for over a decade. GDP had grown at an average of 3.73% between 1994 and 1997,³⁹ and there was little patience to revisit the intense partisan battles that oversaw government shutdowns in 1995 and 1996. Thriving technology sectors and increases in the highest marginal tax rates spurred government receipts,⁴⁰ and both parties were eager to claim the accomplishments of the looming budget surpluses. The 1997 Act did preserve the BEA’s discretionary spending limits and PAYGO requirements until 2002, but those thresholds were breached, as the budget recorded its first official surplus in over 25 years.⁴¹ The surplus effectively achieved the objectives of the GRH and BEA, to combat and curb deficits. In this new fiscal environment, with CBO projections highlighting additional surpluses in subsequent

³⁸ Bruce Bartlett, "A Budget Deal that did Reduce the Deficit," <http://www.thefiscaltimes.com/Articles/2010/06/25/A-Budget-Deal-That-Did-Reduce-the-Deficit> (accessed February 24, 2019).

³⁹ Kimberly Amadeo, "US GDP by Year Compared to Recessions and Events," <https://www.thebalance.com/us-gdp-by-year-3305543>

⁴⁰ Federal Reserve Bank of St. Louis, "Federal Surplus Or Deficit [-] as Percent of Gross Domestic Product," <https://fred.stlouisfed.org/series/FYFSGDA188S>

⁴¹ "Slaying the Dragon of Debt: 1990 Budget Enforcement Act." <http://bancroft.berkeley.edu/ROHO/projects/debt/budgetenforcementact.html>

outyears, previous legislative actions could not repress the urges to spend more. To ostensibly adhere to the budget caps within the 1997 Act, lawmakers utilized a number of legislative gimmicks and procedural mechanisms to avoid enforcement. These included delays in obligations and outlays, advancing appropriations into future years, emergency classifications, and particular policy directives. For example, between 1999 and 2000, appropriators enacted \$39 billion in emergency funding per year, compared to the \$7.25 billion average from 1991-1998 (Figure 2).

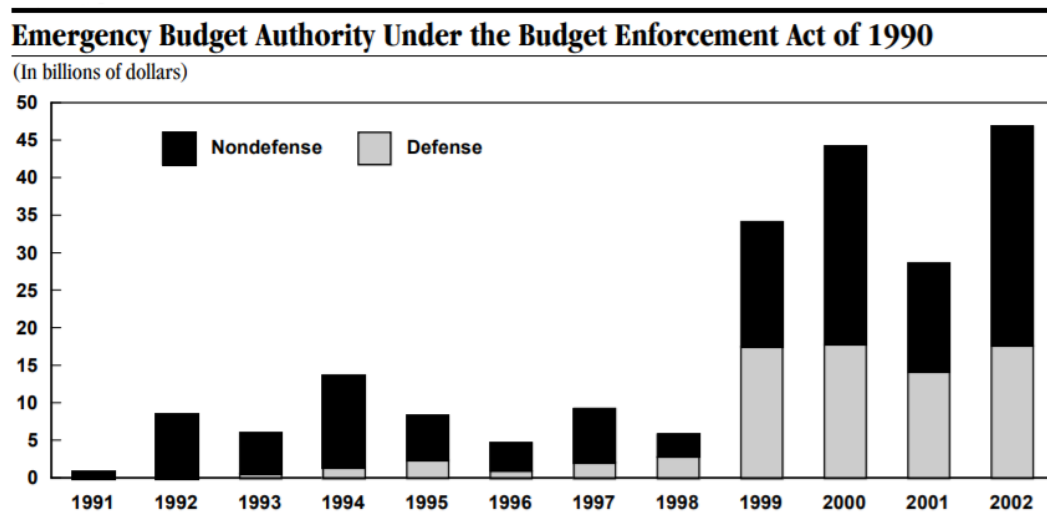


Figure 2. Emergency Budget Authority after the BEA

Source: Congressional Budget Office, *The Budget and Economic Outlook: 2004 to 2013*

The emergency funds obligated between those two years essentially equaled to the amounts designated as emergency in 2001 and 2002, as the nation responded to the attacks on 9/11. In comparison to total discretionary spending having decreased at an average annual rate of 1.1% from 1991 through 1997, lawmakers statutorily broke the caps on budget authority, and the same appropriations rose at an average annual rate of 8.5% from 1998-2002. Since they were technically complying with PAGYO conditions, lawmakers avoided sequestration triggers. In December of 2002, Congress allowed

PAYGO procedures to expire, and the deficit returned at a rate of -1.4% of GDP the same year.⁴²

2011 Budget Control Act

The Budget Control Act of 2011 (BCA of 2011) developed as a response to warnings from the U.S. Treasury that the federal government would exceed its legal borrowing limit by August of 2011, risking a spike in interest rates, a decline in the value of the dollar, and volatile investment markets across the global economy. The negotiations between a divided Congress and President Obama sought to strike an accord that would raise the debt ceiling to levels which would avoid an impasse in the immediate future, while also introducing budgetary enforcement mechanisms to address deficits which averaged -9.0% of GDP from 2009 through 2011.⁴³ These deficits represented the highest levels since WWII and were largely born out of the diminished revenues and heightened spending demands from the Great Recession and accompanying 2009 stimulus package. Overall, the Budget Control Act had four essential aspects. First, the BCA called for a series of increases in the debt limit totaling at least \$2 trillion.⁴⁴ Congress could reject the increases throughout the process with veto-proof majorities in both chambers. Second, the BCA established broad caps on discretionary spending through the annual appropriations process from FY2012 to FY2021. Such discretionary spending caps were not unique, since they were integral to the reforms under the BEA in 1990 and

⁴² Federal Reserve Bank of St. Louis, "Federal Surplus Or Deficit [-] as Percent of Gross Domestic Product," <https://fred.stlouisfed.org/series/FYFSGDA188S>

⁴³ Grant A. Driessen and Megan S. Lynch, "The Budget Control Act: Frequently Asked Questions," *Congressional Research Service: Report* (2018), 1.
<http://search.ebscohost.com/login.aspx?direct=true&db=tsh&AN=128570867&site=ehost-live&scope=site>.

⁴⁴ The process for disapproval was temporary and never triggered.

are generally followed by appropriators in years in which a budget resolution is passed.⁴⁵ However, the BCA specifically excluded several programs from being considered and allowed for upward adjustments to accommodate, among other items, any funds designated for military operations against terrorism (oversea contingency operations) or marked for disaster relief. The CBO originally estimated that those spending caps would have generated \$917 billion in savings over 10 years.⁴⁶ Third, the BCA appointed a Joint Select Committee on Deficit Reduction, a bipartisan body of legislators charged with developing legislation that would reduce the deficit by at least \$1.2 trillion over the subsequent 10-year period. Lastly, in the event that the Committee could not reach an agreement on a long-term plan, the BPA installed an enforcement mechanism in the form of annual reductions in the discretionary spending caps in tandem with across-the-board sequestration of non-exempt mandatory expenditures.

The specific processes governing the cap reductions and cancellation of funds (sequester) were technical and detailed, but their inclusion in the BPA was intended to coax agreement on a proposal for deficit reduction that was grounded in explicit budget priorities. To lawmakers at the time, this type of arrangement was preferable to the automatic, across-the-board reductions in budget authority, especially since the cuts would be split equally between defense and non-defense functions. However, when the Joint Committee announced in November of 2011 that it would not be possible to reach a bipartisan compromise, the enforcement mechanisms were spurred into action. In total, the sequestration was projected to achieve the \$1.2 trillion in deficit reduction from

⁴⁵ One difference in the caps and the limits set forth in a budget resolution is that the caps cannot be waived by one chamber but would require bicameral legislation.

⁴⁶ Romina Boccia and Justin Bogie, *Reform the Budget Control Act Spending Caps*. The Heritage Foundation, [2017]).

FY2013 through FY2021, with \$984 billion being harvested from programmatic cuts and \$216 billion in savings from reduced interest payments on the debt.⁴⁷ In FY2013, the sequester, by order of OMB, substantiated almost \$43 billion⁴⁸ in cuts for both defense and non-defense programs, which amounted to around an automatic 8% reduction of each program area. The non-defense cuts were derived from mandatory and discretionary sources, including a 2% limit in cuts on Medicare payments.⁴⁹ Social Security, Medicaid, and Overseas Contingency Operations were exempt from the sequester, as were certain anti-poverty programs such as SNAP, TANF, and housing vouchers.⁵⁰ Because of these exemptions, the cuts to Medicare payments through 2021 (ranging from \$11-15 billion per year) were projected to comprise about two-thirds of all eligible mandatory cuts from the sequester in terms of dollars.

The inclusion of annual reductions in discretionary spending caps highlights an important distinction in how the CBA sought to achieve its targeted savings in out years. Unlike in 2013, when OMB ordered an explicit sequestration of funds already appropriated, the law called for a downward adjustment of discretionary spending caps starting in FY2014 to levels that would reap the intended \$110 billion in savings per year. In practice, this would eliminate the need for the kind of automatic, proportional cuts that occurred in FY2013, a result which effectively stripped Congress' flexibility to allocate the savings as it so desired. Instead, the discretionary caps themselves were to be

⁴⁷ Richard Kogan, *How the Across-the-Board Cuts in the Budget Control Act Will Work* (Washington, DC: ,[2012]).

⁴⁸ Based on the total targeted reduction of \$984 billion, the annual program cuts were to equal roughly \$110 billion per year. However, FY2013 was granted a reprieve of \$25 billion from the American Taxpayer Relief Act of 2012 (ATRA), allowing the total cuts for that year to equal \$85, which was split evenly between defense and non-defense.

⁴⁹ Medicare providers would continue to bill as normal but would only receive 98 cents on every dollar.

⁵⁰ Driessen, G. A., & Lynch, M. S., "The budget control act: Frequently asked questions."

reduced beforehand, and the President and the Congress would decide through the regular appropriation process how to advance an overall budget that fit within the caps. The only statutory requirement was that the necessary reduction of \$110 billion be split evenly between security and non-security accounts, but because the 2% cut in Medicare payments remained on the books and continued to grow,⁵¹ non-defense discretionary spending was projected to absorb less and less of the cut. If Congress appropriated funds above the discretionary defense or non-defense cap levels, a sequestration order would be triggered to cancel budgetary resources within the category of the spending breach.

⁵¹ The 2% sequestration in Medicare outlays is projected to be ~\$18 billion in 2021, compared to \$11.6 billion in 2014, a 55% increase in only 8 years. See Kogan, “The Pending Automatic Budget Cuts.”

Bipartisan Budget Acts of 2013, 2015 and 2018

Overall, the Budget Control Act represented a critical first step to setting the country on a more responsible fiscal path. Indeed, in the three years after the bill's enactment, deficits averaged -3% of GDP, compared to the -9% rate of the period between 2009-2011.⁵² In FY2015, the deficit equaled -2.5% of GDP, over 7 percentage points below its peak rate in 2009.⁵³ The BCA's vision to reduce the cumulative federal deficit by 1.2 trillion through bipartisan compromise, enforceable discretionary spending caps, and cuts to mandatory outlays were significant achievements that built on the budget reform mechanisms and successes of the BEA. However, in the intervening years up until today, Congress has obstructed the potentiality of the CBA by repeatedly acting to raise the caps on discretionary spending, thus avoiding a sequester as well as opportunity to enforce fiscal discipline.

The first legislation to raise the controlled discretionary caps came in the Bipartisan Budget Act (BBA) of 2013. The BBA of 2013, also referred to as the Murray-Ryan agreement, provided roughly \$63 billion in enforcement relief to be split between FY2014 and FY2015.⁵⁴ The defense and non-defense discretionary caps as set forth by the BCA were each increased by \$22 billion in FY2014, and by \$9 billion in FY2015.⁵⁵ To offset the raises in expected appropriation levels,⁵⁶ Congress extended the mandatory

⁵² Federal Reserve Bank of St. Louis, "Federal Surplus Or Deficit [-] as Percent of Gross Domestic Product," <https://fred.stlouisfed.org/series/FYFSGDA188S>

⁵³ Grant A. Driessen and Marc Labonte, *The Budget Control Act of 2011 as Amended: Budgetary Effects* Library of Congress. Congressional Research Service, [2015]).

⁵⁴ Ibid.

⁵⁵ Ibid.

⁵⁶ The BBA of 2013 technically stipulated that the levels for FY2014 be set via a budget resolution. The budget resolution was then passed onto the respective appropriations committees who released statements that their 302(a) allocations would be consistent with the outlined limits. The FY2014 appropriations were then passed days later on January 17, 2014.

spending aspects of the sequester⁵⁷ for two additional years, covering FY2022 and FY2023. They also implemented a number of other miscellaneous budget cuts and provisions, which in tandem with the extension of the sequester on mandatory spending, led the CBO to score as Murray-Ryan agreement as producing a deficit reduction of \$85 billion through FY2023.⁵⁸ However, many of the outlined budget reductions incorporated to offset the cap increases were regarded as unpopular or gimmicky in practice. For example, \$6 billion in savings were expected to be harvested from reducing cost-of-living increases for retired military personnel between the ages 40 and 62. After mounting opposition from defense interest groups, the pension reform provisions were reversed and barred from applying to any current or former military members. The provisions offsetting the caps raises also depended on the extension of U.S. Customs user fees (\$7 billion) and sales of Strategic Petroleum Reserves at inflated estimates (\$3 billion), two oft-used budget gimmicks that mask true costs.⁵⁹

The second time Congress moved to increase the original discretionary budget caps of the CBA (See Figure 3) emerged as a result of extended negotiations between outgoing Speaker John Boehner and President Obama. In total, the 2015 BBA increased both the defense and non-defense spending limits by \$25 billion in FY2016 and by \$15 billion in FY2017.⁶⁰

⁵⁷ Including the 2% cut in Medicare outlays

⁵⁸ Boccia and Bogie, *Reform the Budget Control Act Spending Caps* The Heritage Foundation, [2017]).

⁵⁹ Justin Bogie, "Budget Gimmicks Increase Federal Spending and Mask True Costs of Legislation," *Backgrounder*, no. 3234 (July 26, 2017).

<https://www.heritage.org/sites/default/files/2017-07/BG3234.pdf>.

⁶⁰ Driessen and Lynch, "The Budget Control Act: Frequently Asked Questions," *Congressional Research Service: Report* (2018), 1.
<http://search.ebscohost.com/login.aspx?direct=true&db=tsh&AN=128570867&site=ehost-live&scope=site>.

**Discretionary Budget Authority Limits Under the BCA as Amended,
August 2011-Present**

(in billions of nominal dollars)

			2012	2013	2014	2015	2016	2017	2018	2019	2020	2021
BCA	Aug. 2011	Defense	555	546	556	566	577	590	603	616	630	644
		Nondefense	507	501	510	520	530	541	553	566	578	590
Auto. Enforcement	Jan. 2012	Defense	555	492	501	511	522	535	548	561	575	589
		Nondefense	507	458	472	483	493	505	517	531	545	557
ATRA	Jan. 2013	Defense	555	518	497	511	522	535	548	561	575	589
		Nondefense	507	484	469	483	494	505	518	532	545	558
BBA 2013	Dec. 2013	Defense	555	518	520	521	523	536	549	562	576	590
		Nondefense	507	484	492	492	493	504	516	530	543	556
BBA 2015	Nov. 2015	Defense	555	518	520	521	548	551	549	562	576	590
		Nondefense	507	484	492	492	518	519	516	530	543	555
BBA 2018 (Current)	Feb. 2018	Defense	555	518	520	521	548	551	629	647	576	591
		Nondefense	507	484	492	492	518	519	579	597	542	555

Sources: CBO, letter to the Honorable John A. Boehner and Honorable Harry Reid estimating the impact on the deficit of the Budget Control Act of 2011, August 2011; CBO, Final Sequestration Report for Fiscal Year 2012, January 2012; CBO, Final Sequestration Report for Fiscal Year 2013, March 2013; CBO, Final Sequestration Report for Fiscal Year 2014, January 2014; CBO, Final Sequestration Report for Fiscal Year 2016, December 2015; CBO, Sequestration Update Report: August 2017, August 2017; CBO, Cost Estimate for Bipartisan Budget Act of 2018, February 2018.

Notes: Spending limits apply to fiscal years. Bold figures indicate statutory changes. The BCA as amended provided for “Security” and “Nonsecurity” categories in FY2012 and FY2013; italicized figures denote CRS estimates of budget authority for defense and nondefense categories in those years. Small changes in FY2016-FY2021 budget authority shown in ATRA, BBA 2013, and BBA 2015 rows are caused by adjustments in the annual proportional allocations of automatic enforcement measures as calculated by OMB; for more information on these adjustments, see CBO, *Estimated Impact of Automatic Budget Enforcement Procedures Specified in the Budget Control Act*, September 2011.

Figure 3. CBA Discretionary Budget Limits as Amended

Source: Congressional Research Service, *The Budget Control Act: Frequently Asked Questions*

Like the previous BBA, it also extended the mandatory spending sequester, this time through FY2025. To maintain the technical characterization that bill was deficit neutral, the 2015 BBA included offsetting language and provisions that cut prospective spending within the 10-year budget window. However, like its predecessor, the provisions were dubious policy,⁶¹ and nearly half of the spending restrictions were not set

⁶¹ The 2015 BBA included another \$5 billion in savings from petroleum reserve sales, which is regarded as highly speculative, especially a decade out.

to be realized until 2025, the last year affected by the bill.⁶² The resulting increase in interest costs on the debt was not addressed in either 2013 or 2015 BBA. By relying on budget gimmicks and potential savings that cannot be realized for many years, Congress limited their opportunity to reduce the deficit as envisioned in the CBA.

The 2018 BBA, the first budget legislation signed by President Trump, brought forth the largest increases to the discretionary spending caps. FY2018 received a \$80 billion increase in defense spending, with the non-defense spending limit being increased by \$63 billion. In FY2019, the defense and non-defense caps were boosted by \$85 billion and \$68 billion respectively. Again, to provide offsetting savings, the 2018 BBA stretched the mandatory spending sequester, mostly affecting Medicare, by two more years through FY2027.⁶³ In total, the CBO estimated that the 2018 BBA, having raised the two-year budget caps by almost \$300 billion, would result in increased deficits of \$342 billion over 10 years.⁶⁴

⁶² Paul Winfree, "The Boehner-Obama Budget Deal Explained in One Chart," <https://www.dailysignal.com/2015/10/27/the-boehner-obama-budget-deal-explained-in-one-chart/>

⁶³ Driessen and Lynch, "The Budget Control Act: Frequently Asked Questions," *Congressional Research Service: Report* (2018), 1. <http://search.ebscohost.com/login.aspx?direct=true&db=tsh&AN=128570867&site=ehost-live&scope=site>.

⁶⁴ . *The Bipartisan Budget Act of 2018: Irresponsible, Wasteful, and Unaffordable* (Washington, DC: The Heritage Foundation, [2018]).

Policy Proposal

To address the ballooning deficits plaguing our fiscal outlook, I recommend the Speaker 1) Direct the Chairman of the House Committee on Rules to draw up a joint resolution re-establishing a Joint Select Committee on Budget Reform and 2) Advise the Joint Committee to markup statutory language for passage as public law amending the 1974 CBA so as to establish a biennial system of budgeting whereas each Congressional cycle consists of alternating years of appropriation and authorization. Each appropriation measure would provide for 2-year funding of the programs under its purview and be enforced through point of order. This reorganization of the CBA into a biennial structure would aim correct the consistent legislative abuses of the federal budget process and propel the country on a fiscal track that eliminates the federal deficit within twenty-five years.

At the Speaker's behest, the Chairman of the House Committee on Rules,⁶⁵ should introduce as soon as feasibly possible a Joint Resolution that convenes a Joint Select Committee of the 116th Congress tasked with "addressing America's alarming debt levels through revision of budgetary processes." The Resolution would call for the Committee to consist of twenty members. In addition to the chair and co-chair of both budget committees, the respective majority and minority in each chamber would be called to appoint four members no later than one month after enactment. Two Senators from opposite parties, nominated at leadership discretion, would act as co-chairs, and the Committee would be authorized for reimbursement of up to \$500,000 from the legislative

⁶⁵ Currently Rep. Jim McGovern in the 116th Congress

appropriation during the current fiscal year.⁶⁶ These costs could be allocated to holding hearings that engage experts, thinktanks, interest groups, other lawmakers, and academics on the recent history of the federal debt and how appropriation reform could curb federal spending by focusing on oft-abused budgetary processes. The Committee would be required, per the Joint Resolution, to convene within one month of appointment and deliver a report of their recommendations along with possible statutory language to the President, Speaker, and Congressional leadership within one year's time.

In conjunction with the Joint Select Committee, the Speaker should recommend and mark-up for passage into public law a bill that would amend the 1974 Congressional Budget Act. This bill, entitled the "Budget Process and Appropriation Modernization," (BPAM) would primarily modify the appropriations process in such a fashion that each meeting of the legislative branch⁶⁷ would constitute a biennium, requiring appropriation measures and 302(b) allocations to cover 2-year fiscal periods. In effect, each Congressional year would alternate between appropriation and authorization. The first session, every odd-numbered year, would be committed to budget action, while the second would concern oversight, authorizing language, and additional appropriations to address supplemental needs or emergency requirements. Under this proposed biennial structure, legislators would not need to act on appropriations during the second year of each Congress, thus freeing up precious legislative time to both develop more effective agency evaluation and to engage the necessary actors on producing authorizing language that is both programmatic advantageous and fiscally responsible.

⁶⁶ These funds should be marked as no-year money, so the Committee can roll over their balance into the next fiscal year.

⁶⁷ The 2-year Congressional period beginning at Noon on January 3 of every odd-numbered year.

Within this new biennium, both the President's budget request and the budget resolution would remain as components of budgetary law. The President's budget, as formulated through OMB, would outline funding requests for all federal departments/agencies, indicate expected revenue, and incorporate supplementary information on initiatives that highlight the administration's priorities. However, instead of transmitting the budget request annually, it would only be due in the first year of the biennium. For example, the budget request for fiscal years 2021 and 2021 would be transmitted to Congress on the first Monday of February in calendar year 2020. Likewise, the budget resolution, containing spending and revenue targets for the relative two years in question,⁶⁸ would maintain its non-statutory quality. However, the BPAM should specify that to account for the additional fiscal year material, the budget resolution deadline should be extended to May 1st, an amendment to the CBA target of April 15th. Unlike Congress' current handling of the budget resolution, miscellaneous appropriations such as OCO money and emergency spending should be incorporated in base line figures, a move that would signal intent to cover the most amount of discretionary spending under one procedural umbrella. As is existing practice, appropriations which exceed levels in the budget resolution would be subject to point of order objections.

The second session of Congress, freed from the necessity of budget actions, would utilize the additional time to deliberate over authorizing language and hold hearings that exercise the oversight functions of congressional responsibilities. With valuable time on the legislative calendar now available, authorizing committees could focus their staff hours and resources on implementing reviews from inspector generals

⁶⁸ 302(a) allocations

and closely considering the merits of each programmatic portfolio under their purview. The BPAM should specify that multiyear authorizations should be enacted and signed into law by October 1st of the second session of each Congress.

Biennial budgeting, particularly in the form multiyear authorizations and two-year appropriations has been an oft-discussed topic amongst policy analysts, having received support and mark-up in all the presidential administrations from Reagan to W. Bush's. However, no proposal has ever passed both houses of Congress and been brought to the President for consideration.⁶⁹ The BPAM, holding the full force of public law, would actualize a biennial system and restructure the budget process according to multi-year authorizations and appropriations.

⁶⁹ Jessica Tollestrup, "Biennial Budgeting: Options, Issues, and Previous Congressional Action," *Congressional Research Service: Report* (2015), 1-19.
<http://search.ebscohost.com/login.aspx?direct=true&db=tsh&AN=103301838&site=ehost-live&scope=site>.

Policy Analysis

The BPAM's restructuring of the federal budget process into bienniums aims to develop new norms to jettison the dysfunction of obscured costs, regular stop-gap measures, and budgetary gimmicks, ultimately redirecting American towards a fiscally-sustainable outlook with limited debt. In this section, it's my intention to evaluate: 1) the advantages and disadvantages of biennial budgeting in terms of effectual policy and 2) the prospects of biennial budgeting in light of state and municipal action.

The BPAM's introduction of biennial budgeting and multiyear authorizations present various pros and cons if enacted. Taken together, the realignment of the budget cycle and the requirement that all twelve appropriation subcommittees pass two-year appropriations work towards the same end, to provide Congress and the President with additional time to enact appropriations before the start of the fiscal year on October 1, thereby ostensibly reducing the need for continuing resolutions and stop-gap measures. In 2018, the GAO found through a review of the previous twenty fiscal years that repeated continuing resolutions and lapses in appropriations (shutdowns) leads to reduced governmental services and increased costs.⁷⁰ This loss of productivity manifests itself via tardy payments of contracts/grants, delayed hiring, and additional administrative work. In theory, starting the budget process earlier and with greater certainty for out-years would allow for additional time to consider budgetary measures, thus avoiding the type of procurement and management inefficiencies as found by the GAO. If this were successful in eliminating gap-measures or lapses in funding, private and public sectors actors would benefit. Contractors would possess greater work and payment security, and

⁷⁰ Heather Krause, *Budget Issues: Continuing Resolutions and Other Budget Uncertainties Present Management Challenges* (Washington, DC: US Government Accountability Office, [2018]).

federal employees would spend less time completing the organizational chores necessary to obligate funds. Proponents of biennial budget cycles generally contend that it 1) reduces congressional workload by expelling part of the demands associated with annual consideration of budget questions 2) affords Congress more time to carry out its oversight responsibilities and promote long-term review of programmatic functions 3) provides federal, state, and local government agencies more certainty in terms of funding levels and long-term planning. By effectively setting spending levels for two years at the first session of a new Congress, the cycle might reduce demands on Representatives' time, and allow for more focus on authorizations and program analysis.

A split model of congressional sessions of appropriation and authorization offers the possibility of numerous advantages over our current annualized system. Primarily, reducing the legislative time that is spent on budgeting would open avenues for more effective oversight as well as assist in meeting the conditions of the Government Performance and Results Modernization Act of 2010 (GPRAMA). According to the Congressional periodical Roll Call, roughly 70% of all roll call votes in the Senate throughout the 2000s concerned budgetary matters.⁷¹ Procedural votes, deeming resolutions, and budget debates consumes much of the legislative schedule, particularly in the Senate, in effect driving the priorities and agenda of elected leaders. With discretionary accounts constituting a mere 30% of all federal spending as compared to mandatory entitlement programs, it is illogical and incongruent to commit so much Congressional time to an appropriation process that will increasingly represent a smaller portion of outlays. Biennial budgeting would also provide a reprieve from the repetitive

⁷¹ Stuart Young and Drew McLelland, "Implementing Biennial Budgeting for the U.S. Congress" Harvard).

administrative tasks that agency level budget offices undertake in effort to comply with the GPRAMA and in response to OMB circular bulletins. Testifying to the House Rules Committee on the possibility of biennial appropriations, Susan Irving, the Director for Federal Budget Analysis at the GAO, stated succinctly:

For agency budget officials... the arguments for biennial budgeting may seem quite strong. Currently, agency budget officers spend several months every year preparing a 'from the ground up' budget with voluminous written justifications. Much of this work is repetitious. In contract, requests for supplemental appropriations are handled on an exception basis. If, under a biennial appropriations process, the "off-year" updates, amendments, or adjustments were treated like supplemental appropriations, the savings in agency time could be significant.⁷²

In summation, agency level budget officials would also benefit from a reduction in administrative tasks and reporting requirements that a shift to biennial budgeting would bring. Agency time and resources could be allocated to expanding more thorough evaluations of programs and developing responses to oversight inquiries. The expression, "time is money," is an oft-used cliché, but is regarded as a valid criterion of productivity in both the private and public sectors. If the perception of many budget experts, including from such career officials as Leon Panetta,⁷³ is valid, then the additional hours, capital, and assets that are required for proper budget analysis on a yearly basis could be spared and redirected towards driving efficiency and enhancing outputs.⁷⁴

⁷² Committee on Rules, *Biennial Budgeting for the Federal Government*, 2000.

⁷³ Leon Panetta introduced the first legislative proposal (H.R. 9077) toward biennial budgeting in 1997 as a rep. from California. He later served as director of OMB and testified about the advantages of his proposal on May 16, 2000 to the House Rules committee.

⁷⁴ Outputs and Outcomes are a renewed focus of the GPRAMA. Language specifically demands that program and budget officials evaluate based on the **outcomes** for everyday Americans.

In terms of oversight and authorizations, the second year of a biennium would afford authorizing committees proper space to carry out their constitutional duties of programmatic and spending evaluation, with an eye towards eliminating waste and ensuring federal dollars are directed towards their most effective and efficient use. This oversight is particularly important as appropriated spending is further reduced, via increased interest and mandatory spending, as a share of total outlays. Routinely, authorizing committees commit more resources and time in their agendas towards authorizing new programs throughout all federal departments instead of scrubbing and investigating the ones that currently exist. As I captured in my historical analysis, mandatory spending and health care costs are allowed to organically rise year to year, and legislative action to combat these escalations have only been taken on the brink of insolvency and reduced payments. Additionally, according to the Department of Commerce, appropriated funding for programs with expired authorizations has averaged over \$150 billion.⁷⁵ This type of bifurcation between appropriation and authorizing committees could be rectified in a split year biennium, as the additional time would allow for legislative clarification over whether such appropriations are still necessary going forward.

Another advantage of a biennial cycle is that it confers greater emphasis on long-term planning, long-term strategic objectives, and a wider perspective of how today's commitments affect future obligations. As I expressed earlier, primarily due to the exponential growth of mandatory costs, interest payments on the debt are expected to overtake costs for the Department of Defense by 2023. Despite this outlook, debt levels

⁷⁵ Young and McLelland, "Implementing Biennial Budgeting for the U.S. Congress" Harvard).

and therefore interest payments continue to rise. Discretionally, Congress' usage of emergency funding under the BEA and appropriations to OCO funds since 2011 are also illustrations of how short-term planning and a lack of foresight impact budgetary consequences. Since these types of allocations are often made in haste and outside the traditional appropriation subcommittees, their burden on out-year costs are obscured. This type of crisis management organically produces ad hoc budgeting decisions that are not grounded in long-term planning and objectives. Two-year bienniums would require that lawmakers consider needs that are beyond an annual basis, choosing to supply for them in appropriations or weigh how not funding them over the course of multiple years will affect programmatic outcomes. No reputable business would function without a long-term vision or a firm grasp on how their financial commitments affect a longer fiscal outlook, yet the federal budget process appears blind to such practices through its annual treatment of appropriations. On an agency level, the assurance of funding for two fiscal years would provide certainty in competing contracts, hiring staff, and developing strategic objectives that align with GPRAMA requirements. Executive agencies are responsible for submitting their budget submissions for the next fiscal year to OMB during the Fall, but without full-year enacted appropriations in current year, it's tremendously difficult to estimate what their spending levels should be the next. Multiyear authorizations and appropriations would also limit opportunities for funding lapses, the consequences of which were manifested in the most recent government shutdown, which delayed "\$18 billion in federal discretionary spending for compensation and purchases of goods and suspended federal services."⁷⁶ The certainty of funding

⁷⁶ Wendy Edelberg, *The Effects of the Partial Shutdown Ending in January 2019*. Congressional Budget Office, [2019]).

would also provide relief to state governments, who increasingly rely on funding from federal grants and welfare programs. For example, in 2015, federal aid comprised 65% of total state spending towards welfare programs such as Medicaid, Temporary Assistance for Needy Families (TANF), child welfare, and assistance for low-income individuals. For education-related programs such as Head Start and language assistance initiatives, federal aid comprised of 13% of total education spending across the fifty states.⁷⁷

Given that biennial budgeting has been proposed repeatedly as an avenue for reform since the 1970s without enactment, it's no surprise that there exist numerous and noteworthy policy shortcomings concerning its adoption. First, the benefits of long-term budget planning could only be realized with accurate budget projections. Estimating these figures with certainty is a dubious proposition, given that they are subject to policy changes, formula errors, and swings in economic output. In January of 2009, the total deficit for FY19 was projected to be \$235 billion; however, the CBO currently estimates that the deficit for the fiscal year will reach \$897 billion. From 1980 through 1998, the predicted deficit to the actual deficit per fiscal year varied on average by \$55 billion.⁷⁸ Under the current timeline for budget formulation and justification, agencies would be tasked with crafting their budget submission for the second year in a biennium at least twenty-eight months before the start of year and forty months before it concludes. OMB, charged with evaluating funding requests for the President's Budget and providing their findings to agencies via passback in November, would need to author key decisions

⁷⁷ Mike Maciag, "How Much do States Rely on Federal Funding?"

<https://www.governing.com/topics/finance/gov-state-budgets-federal-funding-2015-2018-trump.html>

⁷⁸ Young and McLelland, "Implementing Biennial Budgeting for the U.S. Congress" (Harvard).

twenty-two months before the beginning of the biennium's authorization year. Given this considerable lead time, there would inevitably be outdated analysis, changes in economic conditions, and shifts in programmatic priorities. Testifying before the House Budget Committee in 2011, CBO analyst Philip Joyce expressed tactfully:

The federal government has a rather checkered history of budget forecasting. To produce a budget every two years would increase the probability that it would be based on erroneous information and would therefore need to be redone. The biennial process may degenerate into an annual process, given the uncertainties associated with budgeting for a \$4 trillion enterprise.⁷⁹

Mr. Joyce's concerns are manifested in the data on budget projections. In the 10-years prior to the beginning of the banking collapse in 2006, that is, when economic conditions shifted dramatically, CBO prediction errors as it pertains to outlays one-year into the future averaged 4.2%. For predictions two-years into the future, the error more than doubled, averaging 8.8% of outlays (Figure 4).

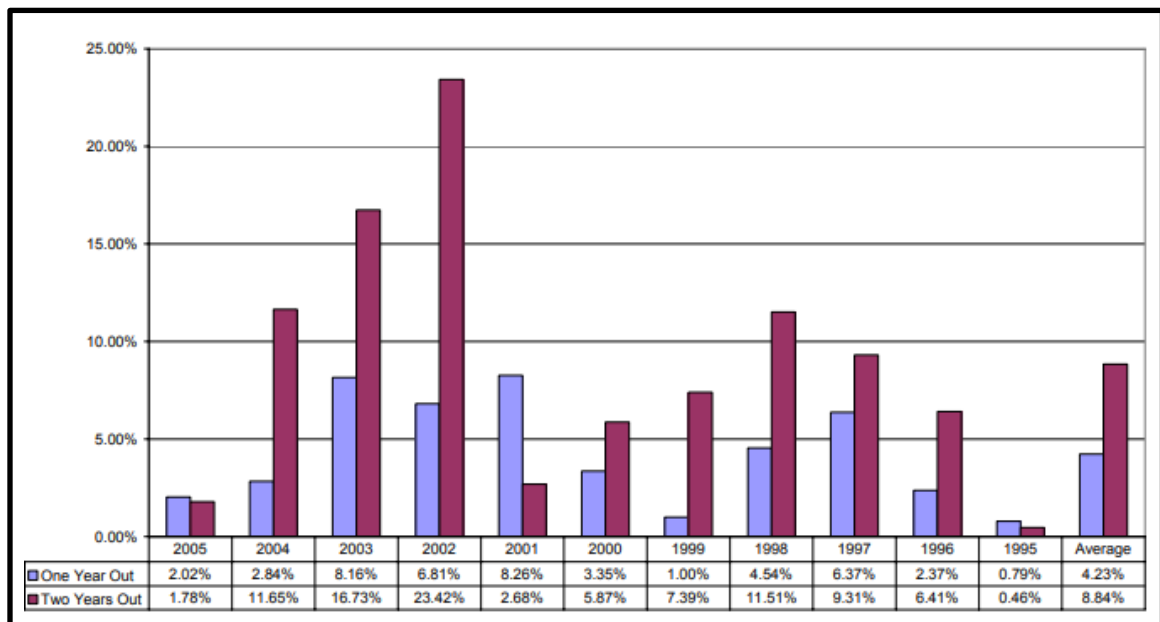


Figure 4. Estimation Errors as Percentage of Outlays
Source: Stuart Young et Drew McLelland, Implementing Biennial Budgeting for the U.S. Congress

⁷⁹ Casey Burgat, Examining Case for Biennial Budgeting (Washington, D.C: R Street Institute, [2018]).

The heightened unreliability of budget data two-years into the future highlights another issue with a biennial model. To account for the forecasting variances and prevent budgets and authorizations from relying on erroneous assumptions, critics contend that a biennial system would require a considerable need for supplemental or off-year funding legislation. As I underlined with the history of emergency spending and OCO funds, these supplemental appropriations are often executed haphazardly and without concern for long-term costs or rigorous scrutiny from analysts. Pressure to enact supplemental appropriations would be significant, and in terms of policy, could culminate in just as much budget action as under the current annual process, albeit under an ad hoc basis that is neglectful of program priorities and manipulative of spending enforcement mechanisms. Frequent revision due to inaccurate economic and budget estimates would thus largely negate the benefits afforded under a biennial system, risking further abuse of processes that drive up costs and diminishes proper justification.

In terms of lessons from case studies, the current state of affairs under the Budget Control Act and the history of biennial budgeting on a state level exhibit causes for concern. Since 2011, levels for discretionary appropriations have been supplied for via the Budget Control Act and its legislative successor the Bipartisan Budget Act. To avoid the harsh across-the-board reductions of sequestration, Congress agreed beginning in 2014, via the instances of the BBA, to a series of two-year budget deals that raise the discretionary caps. These deals have provided ceilings to appropriated funds across all discretionary accounts for two-years, essentially requiring that appropriation subcommittees carry out their work within a specific fiscal framework in year two of the biennium. Despite these two-year BBA agreements governing funding levels, the deficit

has increased from \$438 billion in 2014 to \$779 billion in 2018.⁸⁰ Notwithstanding the biennial agreements, Congress still circumvented the cap processes designed to lower yearly deficits, and indeed has resorted to continuing resolutions, lapses in funding, and large omnibus legislation that lacks long-term perspective and necessitates higher administrative costs on an agency level. In short, the recent history of the BCA and BBA demonstrate that two-year funding agreements are not a remedy to process failure and deficit reduction.

The experience of biennial budgeting on the state-level is an oft-cited authority on the capacity of biennial budgets to provoke change and lower deficits. In the past seventy years, states have overwhelmingly dismissed biennial budget for annualized procedures. In 1940, forty-four states practiced biennial budgeting. Today, only nineteen enact their budgets under such system. This shift to annual budgets has been attributed to, among other factors, growing populations, yearly convening of state legislatures, more complex programmatic elements, and a dependence of state budgets on federal funding. Of the ten most populous states in the union, eight of them adhere to an annual system, affirming in part the argument that larger states with bigger and more volatile revenue streams are more properly served appropriating funds year to year. On the contrary, less populous states and those with legislatures that only meet every other year have tended to utilize a biennial model. In response to a House Rules inquiry in 2000, the GAO collected and analyzed data in three states⁸¹: Arizona, Connecticut, and Ohio. In developing their report to Congress, GAO auditors interviewed state officials, reviewed

⁸⁰ Federal Reserve Bank of St. Louis, "Federal Surplus Or Deficit [-] as Percent of Gross Domestic Product," <https://fred.stlouisfed.org/series/FYFSGDA188S>

⁸¹ United States. General Accounting Office, Biennial Budgeting: Three States' ExperiencesUnited States. General Accounting Office, [2000]). <http://digital.library.unt.edu/ark:/67531/metadc294688/>.

project management data, and consulted OMB executive branch perspectives. Arizona and Connecticut were specifically targeted because they had converted to a biennial model within ten years, while Ohio was selected for review based on its status as one of the top five states with the highest general expenditures. Additionally, among these states, Ohio was the only one with a biennial budget process that acts in tandem with an annual legislature. Their model is frequently cited as a success by advocates for biennial reform. All three of the states' application of biennial budget shared common goals with proposals on the federal level: to reduce the time and resources required for budget activity, to enhance legislative oversight capacity, and to promote longer-term focus and program evaluation as a means to driving down costs. In Connecticut, biennial budgeting was enacted in FY1994 as part of a package of initiatives in response to a fiscal crisis that depleted the state's reserve funding and produced a deficit of nearly \$1 billion.⁸² Connecticut converted all executive agencies to a biennial schedule simultaneously and required that their budgeting account for the second year of the biennium. The enacting legislation included such riders as a cap on bond indebtedness and mandated that revenues/expenditures be forecasted for the next five fiscal years. By 2006, the state had seen a considerable improvement, as the Connecticut State Comptroller reported that the state had achieved a surplus of \$940.5 million.⁸³ However, in analyzing their improved fiscal picture, the GAO noted that, "establishing spending caps, which were also part of the fiscal reform package, proved to be more important than biennial budgeting in affecting the state's fiscal management."⁸⁴ These spending caps were instituted along

⁸² Ibid., pg. 30.

⁸³ <https://www.osc.ct.gov/public/pressrl/2006/august01.htm>

⁸⁴ United States. General Accounting Office, Biennial Budgeting: Three States' Experiences. United States. General Accounting Office, [2000]). <http://digital.library.unt.edu/ark:/67531/metadc294688/>.

with the imposition of a new person income tax, and as GAO affirmed, these changes to raise additional revenue and enforce spending limits were more efficacious than any other factors in eliminating debt. In Arizona, the state's legislature in 1996 decided to move twenty-six smaller agencies to a biennial cycle first, in attempt to test the effects of new processes on a smaller scale. Pleased with the outcomes, Arizona transitioned their remaining executive agencies to a biennial model in 2000. Arizona officials, in explaining their budget activity, noted that they adopted biennial budgeting primarily as a means to free up legislative time for more robust oversight. By 2006, Arizona coffers held a \$1.5 billion surplus.⁸⁵ However, like with Connecticut, the GAO contended that intervening factors were at play. First, Arizona's Constitution contains a balanced budget requirement that instructs the governor to reprogram or impound funds to prevent a projected shortfall. Second, Arizona law instructs the Comptroller to maintain a Budget Stabilization Fund to capture revenues during periods of economic growth which can be utilized in times of recession. These statutory mechanisms most likely had more to do with achieving surpluses than their window of budgeting. In summarizing their analysis, the GAO concluded that, "The experiences of the case study states demonstrate how difficult it is to use a biennial budget process to increase legislative oversight...whether a biennial cycle offers the benefits sought in will depend on the ability of the Congress and the President to reach agreement on how to design and enforce the off-year process and how to respond to unanticipated needs."⁸⁶

⁸⁵ <https://azcapitoltimes.com/news/2010/12/20/a-recent-history-of-arizonas-state-budget/>

⁸⁶ United States. General Accounting Office, Biennial Budgeting: Three States' Experiences United States. General Accounting Office, [2000]). <http://digital.library.unt.edu/ark:/67531/metadc294688/>.

Political Analysis

The populace's opinion and tolerance of growing deficits are chiefly important to the political context of enacting a biennial budget process. According to a January 2019 Pew Research survey, "the nation's growing budget deficit has prompted little alarm among the U.S. public."⁸⁷ Since the impasse of the fiscal cliff and the triggering of BCA sequestration in 2013, the public concern for the national debt as a fundamental priority as acutely declined. In 2009 when deficits reached its peak of \$1.4 trillion, 57% of Americans responded that the budget deficit should be a top priority for the President and Congressional leadership. By 2013, when the simultaneous occurrences of the fiscal cliff, pending sequestration, debt ceiling crisis, and a government shutdown propelled the country's fiscal condition into national debate, the percentage of Americans who counted the deficit as a top priority reached 73%. In 2019, only five years later, that same percentage of Americans had dwindled to 48%.⁸⁸ As evidenced by Pew's polling, public concern about debt levels has largely been inversely proportional to rising deficits, with OMB projecting a nearly \$1 trillion deficit in FY2019, the largest in seven years and nearly double the shortfall in FY2015,⁸⁹ when public sentiment of budget deficits as a top priority for elected leaders was 12% higher than today. Across the 18-year period from 2002 to 2019, an average of 51% of all Americans supported reducing debt as a primary concern. Specific to liberal-minded voters, Pew found that amongst Democrats and

⁸⁷ J. Baxter Oliphant, "Fewer Americans View Deficit Reduction as a Top Priority as the Nation's Red Ink Increases," 2009, <https://www.pewresearch.org/fact-tank/2019/02/20/fewer-americans-view-deficit-reduction-as-a-top-priority-as-the-nations-red-ink-increases/>.

⁸⁸ Ibid.

⁸⁹ The deficit in FY15 was \$438 billion.

democratic-learning independents, only 44% reported that reducing deficits should be a high priority.

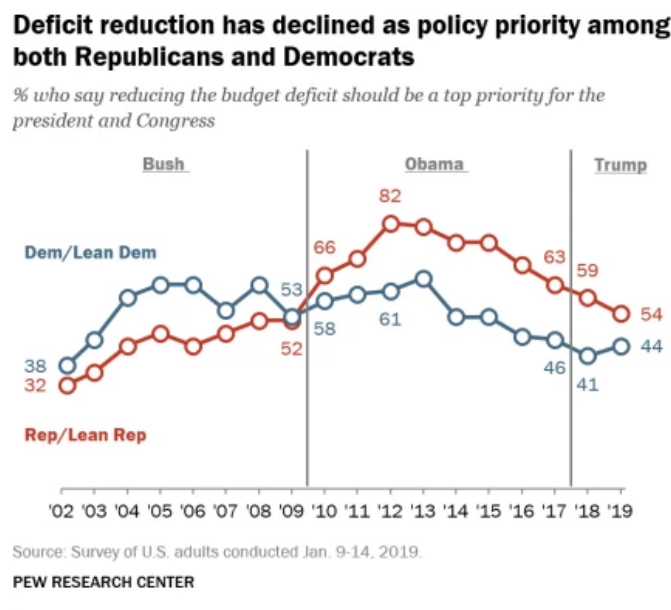


Figure 5. Feelings about the Deficit by Party
Source: J. Baxter Oliphant, Pew Research, Fewer Americans View Deficit Reduction as Top Priority

As Pew summarized succinctly, “Annual budget deficits surpassed \$1 trillion from 2009 through 2012, and the share of Americans viewing deficit reduction as a top policy priority surged during this period. As annual deficits declined, so did concern about the deficit. But the rise in deficits more recently has not been accompanied by an increase in public concern.”⁹⁰ Overall, these trends in public sentiment toward deficits illustrate that no clear majority exists, especially among liberal constituents, for promoting debt reduction as a central policy issue. Framing biennial budgeting as a means to such an end would thus be politically incongruent with the increasing number of citizens who are more tolerable of annual deficits.

⁹⁰ Ibid.

Furthermore, Americans have little appetite for any reductions in federal spending. According to a March 2019 Pew survey⁹¹ that sought to gauge public temperature on thirteen programmatic areas,⁹² most respondents “either wanted to increase spending or maintain it at current levels....no more than a quarter [of those who replied] favored reducing spending in any specific area.”⁹³ Correspondingly, since 2013, the same year Pew singled out as marking a shift in public opinion of annual deficits, there has been a significant uptick in the number of Americans who favor increased spending across such program areas as anti-terrorism, military defense, and veterans benefits. Only one of the thirteen categories, “assistance to needy in the world,” had more than a quarter (28%) of respondents saying spending should be decreased. This context further highlights that biennial budgeting as means to decrease outlays would be politically out of favor with a majority of Americans.

In terms of gauging how Congress would approach the proposed policy, it’s again relevant to note that biennial budgeting has been proffered as a possible reform and attracted significant legislative interest since the infancy of the CBA as enacted law. Leon Panetta, at the time a representative from California, introduced the first bill proposing a two-year cycle of authorization and appropriation with then Rep. Chuck Grassley as a co-sponsor in 1977. Since then, several federal committees and commissions consisting of public and private actors have recommended some arrangement of biennial budgeting. In total, legislation has been introduced in fourteen

⁹¹ Pew Research Center, “Little Public Support for Reductions in Federal Spending,” April 11, 2019. https://www.people-press.org/wp-content/uploads/sites/4/2019/04/PP_2019.04.11_federal-spending_FINAL.pdf

⁹² Education, Veterans Benefits, Rebuilding Highways/Bridges, Medicare, Environment, Health Care, Science Research, Social Society, Poverty Assistance in U.S., Anti-Terrorism, Military Defense, Poverty Assistance outside the U.S., and Unemployment Assistance

⁹³ Ibid.

of the past eighteen Congressional sessions.⁹⁴ The majority of this legislation would have established bienniums with split authorization and appropriations years, was referred to one of the Rules or Budget Committees, and then discussed via public hearings. Such hearings often incorporated testimony from budget analysts, academics, former elected officials, and policy thinktanks such as Convergence, the Bipartisan Policy Center, the American Action Forum.⁹⁵ Proponents and co-sponsors of such legislation have largely been representative of both major political parties. For example, current White House Chief of Staff and previous House representative from South Carolina, Mick Mulvaney, was one of the primary sponsors on the “Biennial Budgeting and Enhanced Oversight Act of 2015,” a bill which garnered 182 Republicans and 55 Democrats as co-sponsors.⁹⁶ Ultimately, like the rest of the legislative attempts to engender a biennial system, the bill was introduced and dismissed without a vote before both houses of Congress.

In terms of how biennial budgeting has been perceived politically by recent executives, the Reagan, H.W. Bush, Clinton, and W. Bush administrations all endorsed biennial processes for appropriations. In 1993, Vice President Al Gore’s commission on the National Performance Review noted in its recommendations that “considerable time could be saved and used more effectively.... if budgets and appropriations were moved to

⁹⁴ Jessica Tollestrup, "Biennial Budgeting: Options, Issues, and Previous Congressional Action," *Congressional Research Service: Report* (2015), 1-19.

<http://search.ebscohost.com/login.aspx?direct=true&db=tsh&AN=103301838&site=ehost-live&scope=site>.

⁹⁵ Megan S. Lynch and James V. Saturno, "The Joint Select Committee on Budget and Appropriations Process Reform," *Congressional Research Service: Report* (2018), 1-5.

<http://search.ebscohost.com/login.aspx?direct=true&db=tsh&AN=128565641&site=ehost-live&scope=site>.

⁹⁶ "H.R.1610 - Biennial Budgeting and Enhanced Oversight Act of 2015," last modified March 25, <https://www.congress.gov/bill/114th-congress/house-bill/1610/text?r=71>.

a biennial cycle.”⁹⁷ While President Obama did not explicitly express his approval like his predecessors, Jack Lew, serving as Director of OMB, stated to the Senate in 2010 that “the annual budget process gives precious little time to focus on program implementation, both in the executive branch and the legislative branch.”⁹⁸ So far through his term in office, neither President Trump nor any senior staff members have indicated whether they would support biennial reforms.

Critics of biennial budgeting have been equally representative of a diverse coalition of congressional actors, interest groups, and figures from both major political parties. The Heritage Foundation, one of the most prominent conservative thinktanks and research institutions in the country, has repeatedly decried biennial budgeting through numerous reports and articles as “no antidote to budget process failure.”⁹⁹ One significant political factor relative to the legislature, and perhaps a justification for why reform does not carve stakeholders across party lines, is that by approving a biennial budget, Congress would essentially be sacrificing flexibility in how it exercises its power of the purse. Every first year of a biennium, that is, the year for appropriations, would be subject to authorizations and therefore decisions reached a year prior in the previous Congress. Additionally, as the GAO report on states’ experiences indicated, biennial budgeting inherently requires mechanisms to govern and counteract pressures to frequently revise budgets during off-years. Without such a system, budgeting activity would become nearly as commonplace as under the current annual structure, negating the

⁹⁷ Office of Vice President Al Gore, *Creating a Government that Works Better and Costs Less: Mission-Driven, Results-Oriented Budgeting* (Washington, DC: General Publishing Office, 1994).

⁹⁸ Tollestrup, "Biennial Budgeting: Options, Issues, and Previous Congressional Action," , 1-19

⁹⁹ Romina Boccia, *Biennial Budgeting is no Antidote to Budget Process Failure*The Heritage Foundation,[2018]. <https://search.proquest.com/docview/2115109595>.

possibility of more robust oversight and programmatic evaluation. The refined practices necessary to manage off-year budgeting would act as an essential check on Congress' flexibility to appropriate funds when and how it wishes. As an institution, the political minority has no more enthusiasm for diminished Congressional authority than the political majority, resulting in advocates and opponents that do not adhere to traditional political ideologies. Furthermore, in terms of political gamesmanship, gimmicks, and lapses in funding, biennial budgeting may only exacerbate the conflicts that plague our current system. Legislators, aware that the fruits of their negotiations would be longer lasting, may be more inclined to intensify their disagreements and eleventh-hour brinksmanship, resulting in an even greater number of continuing resolutions and shutdowns. Rep. David Obey, former democratic Chair of the House Appropriations Committee, remarked that two-year budgets would, "mean that people will be less willing, not more willing to compromise and in the end that means that the debate on the budget is likely to spill over into the second year and all we've done is to lengthen rather than shorten our budget fights."¹⁰⁰ Any policy benefits bienniums would engender risk being nullified in political conflict. As leadership in Congress, navigating around such political inaction through compromise and diplomacy will be imperative to the success of two-year budgeting policy.

¹⁰⁰ Casey Burgat, *Examining Case for Biennial Budgeting* (Washington, D.C: R Street Institute, [2018]).

Recommendation

The alarming trajectory of federal deficits is a legitimate burden that will result in tangible, negative consequences for lawmakers and taxpayers alike. As interest rates continue to rise, federal budgeting will necessitate larger interest payments, thereby reducing national savings and capital at a faster rate. According to the Congressional Budget Office, “interest payments will overtake Medicaid in 2020 and the Department of Defense budget in 2023.”¹⁰¹ Additionally, mandatory spending costs for social security and related health-care programs such as Medicare and Medicaid are only expected to grow, accounting for nearly 70% of total federal spending and 12.8% GDP by 2029.¹⁰² The risks and sources of ballooning deficit also manifest themselves structurally through specific federal budgetary processes. In particular, Congress’ treatment of pay-as-you-go rules, the budget reconciliation guidelines, emergency spending authorizations, and the disregard for discretionary spending caps have all suffered abuse at the hands of its legislative creators, exacerbating the continued trek toward fiscal insolvency, prompting larger interest payments, and encouraging the dissolution of rules designed to keep outlays consistent with revenue. To reform the budget process which has existed in its current state since the Congressional Budget and Impoundment Act of 1974, a system of biennial budgeting with split periods of multi-year appropriations and authorizations has been proffered as a means to rectify abused practices and thereby reduce deficits.

¹⁰¹ Nelson D. Schwartz, "As Debt Rises, the Government Will Soon Spend More on Interest than on the Military," New York Times Company, <https://search.proquest.com/docview/2111854314>

¹⁰² Congressional Budget Office, The Budget and Economic Outlook: 2019-2029. January 28, 2019. <https://www.cbo.gov/publication/54918>

Proponents of such a model contend that it would 1) lessen Congressional workload by expelling some of demands associated with annual consideration of budget questions 2) afford Congress more time to carry out its oversight responsibilities and promote long-term review of programmatic functions 3) provide federal, state, and local government agencies more certainty in terms of funding levels and long-term planning. With roughly 70% of all roll call votes in the Senate devoted to budgetary matters,¹⁰³ a biennial model that effectively sets levels for two years at the first session of a new Congress offers the opportunity to reduce the legislative time that is spent on budgeting, thereby opening avenues for more effective oversight that meets the long-term and outcome-driven focus of the Government Performance and Results Modernization Act of 2010 (GPRAMA).

Despite the stated potential of biennial budgeting to mend current processes and spur America toward a future of fiscal surpluses, I must ultimately recommend against enacting a biennium model into public law on several policy and political grounds. First, the considerable lead-time required from agencies and OMB to produce two-year budget forecasts would inevitably result in outdated analysis, changes in economic conditions, and shifting of programmatic priorities. Pressure to enact supplemental appropriations as a tool would be significant, and in terms of policy, could culminate in just as much budget action as under the current annual process, albeit under an ad hoc basis that is neglectful of program priorities and manipulative of spending enforcement mechanisms. Frequent revision due to inaccurate economic and budget estimates would thus largely negate the benefits afforded under a biennial system, risking further abuse of processes that drive up costs and diminish proper accountability. Furthermore, states have

¹⁰³ Stuart Young and Drew McLelland, "Implementing Biennial Budgeting for the U.S. Congress" (Harvard).

overwhelmingly shifted away from biennial schedules in the past fifty years. In their analysis of three states that had recently established bienniums, the GAO noted that, “establishing spending caps, which were also part of the fiscal reform package, proved to be more important than biennial budgeting in affecting the state’s fiscal management.”¹⁰⁴ In other words, any fruit bore from passing biennial reforms would be largely dependent on the ability of the executive and legislative to resolve how to enforce processes and how to respond to unforeseen needs. If biennial governing was successful in thinning deficits, it would most likely be the result of other factors such as spending caps or mandatory spending adjustments, especially in light of the fact that mandatory spending such as Social Security and Medicare represents over 60% of outlays each year. Politically, public opinion polling reveals that Americans are generally more tolerant of rising debt, and less than a quarter of the populace wants to see spending cuts to any major programmatic area. Biennial budgeting also risks restricting Congress’ authority and flexibility in how and when it chooses to appropriate funds, an outcome which is dubious to the political majority and minority alike. Additionally, instead of limiting gamesmanship and the potential for frequent shutdowns, two-year appropriations will only intensify disagreements, as legislators come to terms with the lengthier consequences of their negotiations. For these reasons, I therefore recommend against instituting biennial budgeting within the federal budget process.

¹⁰⁴ United States. General Accounting Office, *Biennial Budgeting: Three States' Experiences*. United States. General Accounting Office, [2000]). <http://digital.library.unt.edu/ark:/67531/metadc294688/>.

Curriculum Vitae

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Previously, Daniel held various positions in grants management at the Center for Scientific Review at the National Institutes of Health. He plays an active role in budget execution at his federal agency and participates in formulating budget priorities as part of published, annual submissions for the Office of Management and Budget and for Congress.